APPENDIX A2
Collection Rate Calculations

Every court should be able to calculate two measures of its collection rate: the aggregate rate and the aging rate.

<u>Aggregate Rate</u>

The aggregate rate for a given period is calculated as follows:

$$\frac{P}{R_0 + A - D - W - O_1}$$

where P = the total amount paid during the reporting period

R_0 = the total receivables at the beginning of the reporting period

A = the total assessed during the reporting period

D = the total dismissed or waived during the reporting period

W = the total written off during the reporting period

O_1 = the total owed (not yet past due) at the end of the reporting period

This formula does not count charges which are waived or written off during the reporting period, nor does it count amounts whose due dates have not been reached by the end of the reporting period. It does count amounts carried over from the prior reporting period (R_0) and amounts assessed during the period.

<u>Aging Rate</u>

The aging rate examines a group of debts imposed during a given period, and measures the court's success at collecting them over time. Its formula is:

$$\frac{\sum_{i=x}^{y} P_i^x}{A^x - \sum_{i=x}^{y} D_i^x - \sum_{i=x}^{y} W_i^x - O^x}$$

where P_i^x = payments received during period i on debts assessed during period x

A^x = amount assessed during period x

D_i^x = amount assessed during period x which was waived during period i

W_i^x = amount assessed during period x which was written off during period i

O^x = amount assessed during period x which is owed (not yet past due) at end of current period

x = period of assessment

y = current period

How to Calculate the Aging Rate

A simplified version of the above formula should be calculated at the end of every year to arrive at the aging rate. Each year, courts should calculate that year's collection rate for each group of debts (e.g., at the end of 2001, perform the following calculation for debts assessed in 2001, 2000, 1999, etc.) using:

$$\frac{P}{A - D - W - O}$$

P is the amount paid (on a given year's debts) during the past year;
A is the amount assessed during the given year;
D is the sum of all amounts waived during *all* prior years;
W is the sum of all amount written off during *all* prior years; and
O is the amount that is not yet due.

By adding up this rate over time for debts assessed during a given year, the court will arrive at the aging rate. (Courts may also want to monitor the aging rate on a monthly or quarterly basis for internal management purposes.)

Some courts may wish to track the "current rate," which is the percentage collected during the first year after a debt is assessed. Courts should note that they will be calculating the current rate each year as part of the process of calculating the aging rate.

Note: See Appendix A4 entitled "Self-Evaluation Tools" for forms that can assist you in calculating the Aging Rate.